

Message Text

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PAGE 01 BUENOS 08891 062136Z

71

ACTION ARA-20

INFO OCT-01 ISO-00 OPIC-12 EB-11 L-03 AID-20 PA-04 PRS-01

USIA-15 H-03 XMB-07 COME-00 TRSE-00 OMB-01 CIEP-02

CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /112 W

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R 062045Z DEC 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4563

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E.O. 11652: N/A

TAGS: ETRO, XX, EGEN

SUBJECT: INSURANCE AND REINSURANCE--ARGENTINA

REFS: (A) STATE A-6374 OF JULY 26, 1973

(B) BUENOS AIRES 8398

(C) BUENOS AIRES 7849

(D) BUENOS AIRES 2065

1. EMBASSY CONTINUES FOLLOW DEVELOPMENTS IN INSURANCE INDUSTRY WITH VIEW CHOOSING FIRST APPROPRIATE TIME FOR FULL RESPONSE REF A. IN OUR VIEW THAT TIME HAS NOT YET ARRIVED. THE INSURANCE INDUSTRY CONTINUES IN A STATE OF FLUX.

2. PRIVATE INSURANCE INDUSTRY IN ARGENTINA HAS NOT YET SUCCEEDED, AND MAY YET FAIL, IN KILLING PROJECT OR PROPOSAL OF NEW ULTRA-NATIONALISTIC SUPERINTENDENT OF INSURANCE, S. MUZYKANSKY, FOR NEW GENERAL INSURANCE LAW WHICH WOULD GO FAR IN DECLARING INSURANCE A "PUBLIC UTILITY" AND MUCH DIMINISH ROLE OF PRIVATE INDUSTRY IN THIS SECTOR. HIS PROPOSAL WOULD LEAVE ALMOST NO ROOM FOR OPERATIONS FOR NON-ARGENTINE INSURANCE FIRMS (THOSE WITH OVER 19.9 PER CENT FOREIGN PARTICIPATION IN EQUITY) AND WOULD SHARPLY LIMIT ACTIVITIES OF PRIVATE ARGENTINE FIRMS. THE PRIVATE INSURANCE INDUSTRY IN ARGENTINA, LED BY ITS DOMESTICALLY OWNED SECTORS BUT WITH CONCURRENCE AND SUPPORT
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PAGE 02 BUENOS 08891 062136Z

OF SUBSIDIARIES AND BRANCHES OF FOREIGN FIRMS, CONTINUES TO

FIGHT THE PROPOSAL WITHIN OFFICIAL GOA CIRCLES AND IS ALREADY LOBBYING STRONGLY WITH CONGRESSMEN AND SENATORS FOR SUPPORT IN KILLING THE PROPOSAL SHOULD IT ACTUALLY BECOME A FORMAL BILL IN THE ARGENTINE CONGRESS.

3. AS DEPARTMENT IS AWARE, IN ARGENTINA INSURANCE OF ALMOST ALL TYPES OF RISK IS WRITTEN BY THREE DISTINCT GROUPS OF INSURANCE WHICH INCLUDE (A) OFFICIAL ENTITIES; (B) COOPERATIVES AND MUTUAL COMPANIES, PLUS; (C) REGULAR PRIVATE SECTOR FIRMS WHICH INCLUDE FOREIGN FIRMS. OVER THE PAST TEN YEARS, THE OFFICIAL ENTITIES AND COOPERATIVE GROUPS, UNDER THE BENEVOLENT EYE OF THE SUPERINTENDENT OF INSURANCE AND THE REINSURANCE INSTITUTE, HAVE STEADILY AND SIGNIFICANTLY INCREASED THEIR SHARE OF THE MARKET AT THE EXPENSE OF THE PRIVATE SECTOR. THE NEW PROPOSALS NOW BEING DISCUSSED WOULD SPEED THIS TREND. PROPOSALS BEFORE THE CONGRESS, IN CONJUNCTION WITH NEW TAX LEGISLATION, WOULD FORCE INSURANCE FIRMS, LIKE OTHER FIRMS, TO CANCEL THEIR BEARER SHARES AND REPLACE THEM WITH NOMINATIVE SHARES. ONE RESULT WOULD BE, UNDER THE NEW FOREIGN INVESTMENT LAW, TO IDENTIFY MANY MORE INSURANCE FIRMS AS MIXED OR FOREIGN RATHER THAN "ARGENTINE." THIS IS ESPECIALLY THE CASE BECAUSE, PREVIOUSLY, FIRMS WHICH HAD NO MORE THAN 49 PER CENT FOREIGN EQUITY COULD CLAIM STATUS AS AN ARGENTINE FIRM WHILE THE NEW STANDARD IS "LESS THAN 20 PER CENT." NON-ARGENTINE FIRMS WOULD BE BARRED BY THE NEW INSURANCE PROPOSAL FROM PARTICIPATING IN MANY LINES OF ACTIVITIES AND FROM ACCEPTING RISKS FROM MANY CLIENTS WITH WHOM THEY NOW MAY DEAL.

4. TO REPEAT, SITUATION REMAINS IN A STATE OF FLUX AND ANY DESCRIPTION OF SITUATION, AS IT PRESENTLY EXISTS, MAY BE SHORT LIVED. EMBASSY WILL CONTINUE TO REPORT AS SITUATION CLARIFIES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIVATE ENTERPRISE, LOBBYING, INSURANCE LAW, PROPOSALS (BID), STOCKS (SECURITIES), FOREIGN INVESTMENT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BUENOS08891
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731242/aaaabeoa.tel
Line Count: 94
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) STATE A-6374 OF JULY 26, 1973
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 16 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16-Jan-2002 by shawdg>; APPROVED <06-Feb-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INSURANCE AND REINSURANCE--ARGENTINA
TAGS: EGEN, XX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005